

# MANUFACTURING EXTENSION PARTNERSHIP

## Success Stories from the Field

### **Pesco, Inc.**

#### **New Mexico Manufacturing Extension Partnership**

#### **Pesco Goes Lean To Increase Performance**

##### **Client Profile:**

Process Equipment and Services Company, Inc. (PESCO) is a manufacturer of oil and natural gas production equipment. Founded in 1970 as a two-person shop, the company has grown to 200 employees working from a 60,000 square foot facility in Farmington, New Mexico. PESCO serves the oil and gas industry throughout the continental United States, primarily in the Rocky Mountain region.

##### **Situation:**

PESCO has always been a successful company thanks to its focus on quality product manufacture and operation. However, rapid expansion and an inexperienced work force contributed to a recent reduction of profits and deliverability of product. To compound the problems, raw material and work-in-process (WIP) inventories grew to levels that threatened company cash flow. Before things could get worse, PESCO contacted the New Mexico Manufacturing Extension Partnership (New Mexico MEP), a NIST MEP network affiliate, and asked it to introduce the concepts of lean manufacturing.

##### **Solution:**

New Mexico MEP conducted a Lean 101 workshop for PESCO's managers to familiarize them with the concepts and techniques of lean. Next, New Mexico MEP led the company through a value stream mapping exercise, in which a map is made of existing operations, waste is identified, and an action plan for eliminating waste is developed. PESCO's managers identified numerous opportunities for cutting waste, increasing profits, and reducing lead times. Two departments attended training in Lean Job Shop, and followed their training with two workplace organization (5S) projects. Since completing these projects, PESCO has increased customer satisfaction through improved on-time deliveries, reduced non-value-added costs, reduced WIP, and increased profits. Without significant capital outlay, the company has seen a rise in sales activity.

##### **Results:**

Improved on-time delivery rate, leading to greater customer satisfaction.  
Increased profit margins by 15 to 20 percent.  
Reduced work-in-process inventory between weld assembly and final assembly from

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over \$400,000 to less than \$100,000.

Reduced work-in-process inventory between the code vessel shop and weld assembly from over \$300,000 to less than \$50,000.

Increased cash flow by more than 300 percent.

Increasing total revenues by 12 percent this fiscal year.

### **Testimonial:**

"[We] wanted to solve our own problems through increased knowledge of manufacturing processes. We are accomplishing that through lean manufacturing concepts as taught to us by the New Mexico Manufacturing Extension Partnership. We are now hitting the on-time deliveries that are demanded by our customers, leading to greater customer satisfaction than we have had for some time. We are experiencing lower per unit costs, which in turn is leading to high profit margins. We are continuing to implement the lean concepts in all areas of our operations and are extremely excited about our bright future."

Kyle Rhodes, President